



MICHIGAN ECONOMIC UPDATE

Office of Revenue and Tax Analysis

Michigan Department of Treasury

<http://www.michigan.gov/treasury>

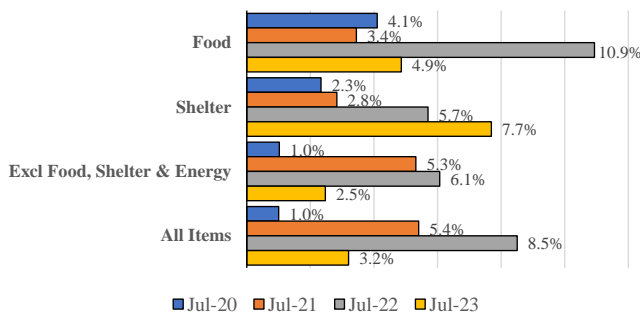
Summarizing Economic Data for July 2023

(Published 08/31/2023)

July 2023 Year-Over-Year U.S. Inflation

On August 10, 2023, the Bureau of Labor Statistics released national U.S. consumer price index data for July 2023. Below are some highlights from that release. ^(k):

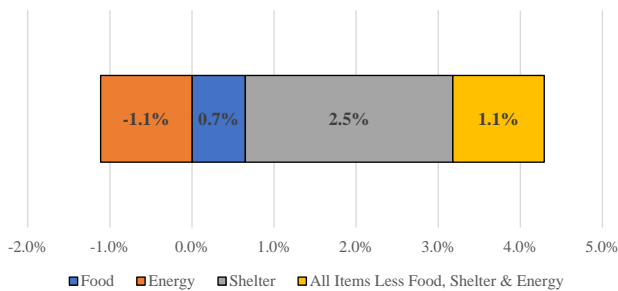
Overall Inflation Slowed Over Past Year



Year-over-Year Percentage Changes

- Year-over-year U.S. CPI inflation slowed substantially from last year – slowing from 8.5 percent to 3.2 percent.
- Food price inflation slowed significantly from 10.9 percent to 4.9 percent.
- Shelter price inflation accelerated from 5.7 percent to 7.7 percent.
- Excluding food, shelter and energy prices, price inflation slowed from 6.1 percent to 2.5 percent.

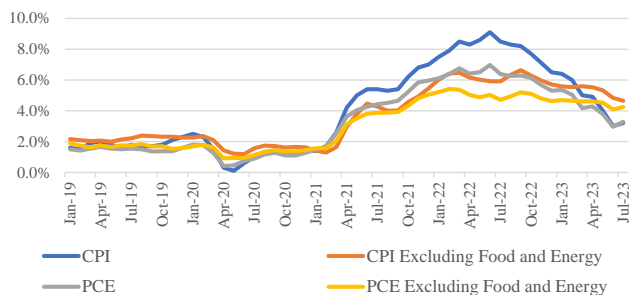
Contributions to Overall July 2023 Y-O-Y CPI Percentage Increase



Composition of July 2023 Inflation

- Shelter costs accounted for the largest share of the overall 3.2 percentage point price increase between July 2022 and July 2023 – accounting for 2.5 percentage points of the overall increase.
- Food prices contributed 0.7 of a percentage point to the overall 3.2 percentage point increase.
- Energy price declines subtracted 1.1 percentage points from the overall price increase.
- Other price categories accounted for 1.1 percentage points of the overall price increase.

Recent History: CPI and PCE Price Index Year-over-Year Percent Changes



Recent History: CPI and PCE Price Indexes

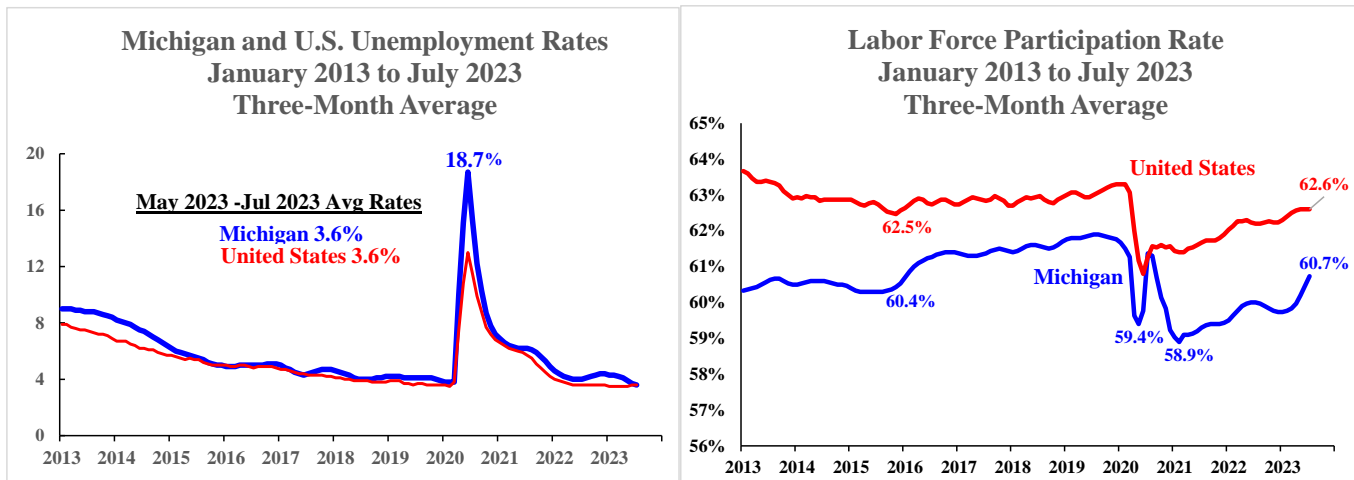
- Between July 2022 and June 2023, inclusive, year-over-year CPI increases slowed before rising slightly in July 2023 from 3.0 percent to 3.2 percent.
- Similarly, the personal consumption expenditure (PCE) price index year-over-year change trended slower between July 2022 and June 2023 – although slightly more hesitantly. In July, year-over-year PCE price inflation rose from 3.0 percent to 3.3 percent. ^(c)
- Excluding food and energy, both CPI and the PCE price inflation have slowed less rapidly than their overall indexes over the past year after peaking at lower rates compared to overall indexes.

July 2023 Summary

Unemployment Rate Estimates

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- The monthly Michigan unemployment rate remained unchanged at 3.6 percent in July. The three-month average of the Michigan unemployment rate was also 3.6 percent for July. Compared to last July, the three-month average was down 0.4 of a percentage point. Compared to the pre-pandemic February 2020 rate, the current average is down 0.2 of a percentage point.
- The average number of people employed in Michigan between May 2023-July 2023 was 12,400 higher than the number employed in February 2020. Compared to the three-month average of people employed between May 2022-July 2022, the current three-month average is up 89,500 people. The May 2023-July 2023 average of people unemployed is 6,300 people lower than the number of unemployed in February 2020.
- The U.S. unemployment rate fell to 3.5 percent in June. June's national jobless rate is equal to the July 2022 rate (3.5 percent) and is also equal to the February 2020 rate (3.5 percent).
- Both the Michigan and U.S. labor force participation rates, while rising from earlier troughs, remain significantly lower than their pre-pandemic participation rates.



Employment by Place of Residence (in Thousands)^(a)

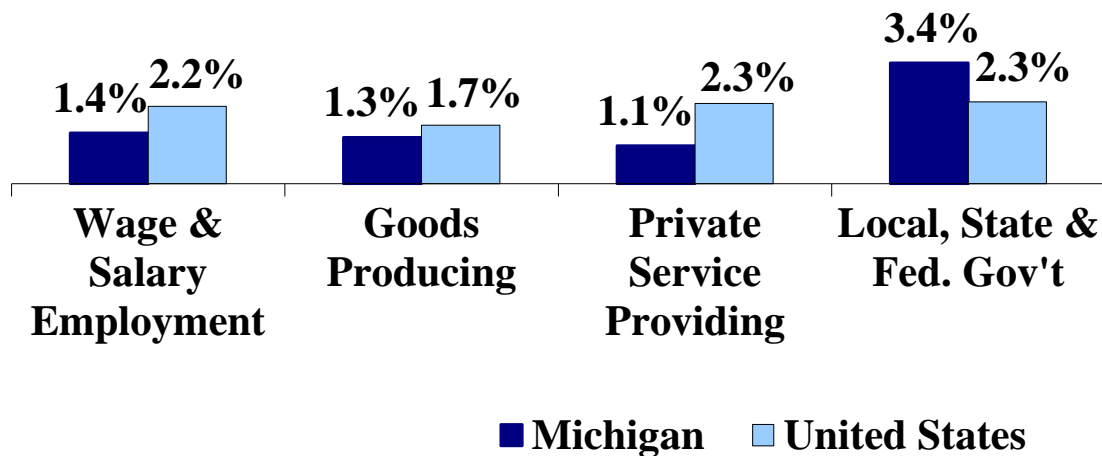
	Annual 2022	May 2023	Jun 2023	Jul 2023	Chg Fr Mo Ago Level	Chg Fr Mo Ago %	Chg Fr Yr Ago Level	Chg Fr Yr Ago %	Three Month Average
Michigan									
Labor Force	4,836	4,895	4,918	4,941	23	0.5%	97	2.0%	4,918
Employed	4,633	4,716	4,742	4,764	22	0.5%	119	2.6%	4,741
Unemployed	203	179	176	177	1	0.6%	-23	-11.3%	177
Unemployment Rate	4.2%	3.7%	3.6%	3.6%	n.a.	0.0% pts	n.a.	-0.5% pts	3.6%
United States									
Labor Force	164,287	166,818	166,951	167,103	152	0.1%	3,113	1.9%	166,957
Employed	164,287	160,721	160,994	161,262	268	0.2%	2,990	1.9%	160,992
Unemployed	5,996	6,097	5,957	5,841	-116	-1.9%	123	2.2%	5,965
Unemployment Rate	3.6%	3.7%	3.6%	3.5%	n.a.	-0.1% pts	n.a.	0.0% pts	3.6%

Employment by Place of Work (Payroll)

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- Compared to July 2022, Michigan payroll employment was up by 63,100 jobs (1.4 percent). State payroll employment rose by 100 jobs in July 2023 from June 2023. Nationally, July 2023 payroll employment was up by 3.4 million jobs (2.2 percent) from a year ago. National employment rose 187,000 jobs in July.

Payroll Employment Growth



- In the goods-producing sector, Michigan payroll employment increased 1.3 percent in July from a year ago; employment in the private service-providing sector rose 1.1 percent. From a year ago, July national payroll employment rose 1.7 percent in the goods-producing sector and increased 2.3 percent in the private service-providing sector.
- At 41.2 hours, manufacturing weekly hours in Michigan were down 1.5 hours from last year.

Wage and Salary (Payroll) Employment (in thousands)^(b)

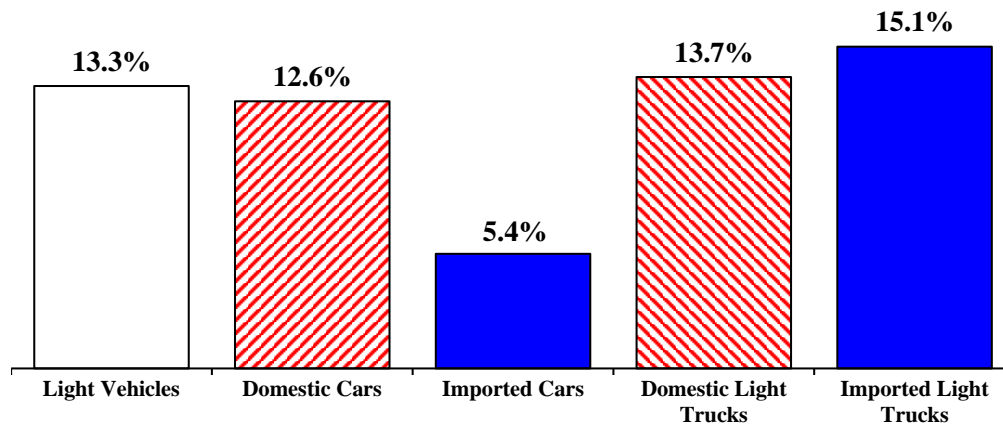
	2022 <u>Annual</u>	MI July <u>2022</u>	MI July <u>2023</u>	Percent <u>Change</u>	2022 <u>Annual</u>	US July <u>2022</u>	US July <u>2023</u>	Percent <u>Change</u>
Wage & Salary Employment	4,362.2	4,376.1	4,439.2	1.4%	152,575	152,980	156,342	2.2%
Goods Producing	794.3	797.9	808.4	1.3%	21,178	21,246	21,599	1.7%
Manufacturing	603.2	607.0	609.1	0.3%	12,825	12,860	12,985	1.0%
Private Service Providing	2,978.2	2,986.6	3,018.9	1.1%	109,226	109,549	112,042	2.3%
Trade, Trans. & Utilities	804.0	804.8	812.1	0.9%	28,643	28,717	28,885	0.6%
Services	1,885.8	1,893.3	1,920.7	1.4%	68,465	68,673	70,920	3.3%
Local, State & Fed. Gov't	589.8	591.6	611.9	3.4%	22,171	22,185	22,701	2.3%
Manufacturing Weekly Hours	42.1	42.7	41.2	-1.5 hrs	41.0	41.1	40.6	-0.5 hrs

Motor Vehicle Sales Up From Last Year

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- The U.S. light vehicle annualized sales rate remained essentially unchanged at 15.7 million units between June and July. Compared to a year ago, July 2023 sales were up 18.2 percent.
- U.S. sales of domestic light vehicles rose 16.6 percent from last July while foreign sales increased 24.9 percent. In July 2023, at 20.7 percent, the foreign share of U.S. light vehicle sales was up 1.1 percentage points from a year earlier.
- Auto sales were up 17.8 percent from last July, while light truck sales increased 18.3 percent from July 2022. Year-over-year, heavy truck sales were up 18.6 percent from last July.
- Motor vehicle and parts dealer inventories were up 25.5 percent from last June.

Year-to-Date Vehicle Sales Up From A Year Ago



Motor Vehicle Sales Statistics

(Millions, Seasonally Adjusted Rates, unless otherwise specified)

	<u>2022</u> <u>Total</u>	<u>May</u> <u>2023</u>	<u>Jun</u> <u>2023</u>	<u>Jul</u> <u>2023</u>	<u>3 Month</u> <u>Average</u>	<u>Jul</u> <u>Chg fr</u> <u>Yr Ago</u> <u>Level</u>	<u>Jul</u> <u>Chg fr</u> <u>Yr Ago</u> <u>%</u>
Autos	2.9	3.0	3.1	3.1	3.1	0.5	17.8%
Domestics	2.0	2.2	2.3	2.3	2.3	0.4	21.7%
Imports	0.8	0.8	0.8	0.8	0.8	0.1	8.1%
Import Share	28.5%	26.8%	24.8%	26.5%	26.0%	-2.4% pts	
Light Trucks	10.9	12.0	12.6	12.6	12.4	1.9	18.3%
Domestics	8.8	9.7	10.1	10.2	10.0	1.4	15.4%
Imports	2.1	2.4	2.5	2.4	2.4	0.6	32.0%
Import Share	19.1%	19.6%	20.0%	19.2%	19.6%	2.0% pts	
Total Light Vehicles	13.8	15.1	15.7	15.7	15.5	2.4	18.2%
Heavy Trucks	0.5	0.6	0.5	0.6	0.6	0.1	18.6%
Total Vehicles	14.2	15.6	16.2	16.3	16.0	2.5	18.2%

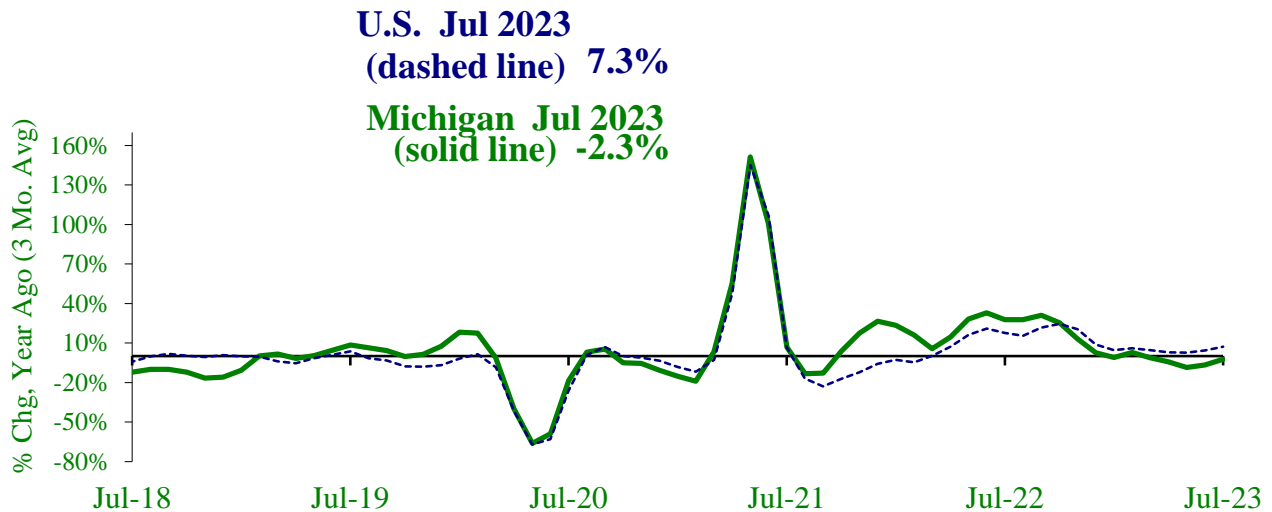
Retail Inventories, Motor Vehicle and Parts Dealers (billions of dollars) ^(d)

	<u>2022</u> <u>Average</u>	<u>Apr-23</u>	<u>May-23</u>	<u>Jun-23</u>	<u>3 Month</u> <u>Average</u>	<u>Chg fr</u> <u>Year Ago</u> <u>Level</u>	<u>Chg fr</u> <u>Year Ago</u> <u>%</u>
Inventories	\$182.1	\$176.2	\$217.8	\$217.0	\$203.7	\$44.9	25.5%
Inventory/Sales Ratio	1.43	1.40	1.64	1.64	1.56	0.25	

Michigan Vehicle Production Up Slightly from Year Ago Page 5

- Michigan vehicle production was up 3.1 percent from July 2022 while national vehicle production was up 9.6 percent from last July. In July 2023, Michigan vehicle production totaled 147,304 units.
- In July 2023, auto production rose 18.0 percent year-over-year (y-o-y) in Michigan and was up 6.4 percent nationally; truck production increased 1.6 percent in Michigan and was up 10.3 percent nationally.
- Comparing the three-month average of vehicle production in May 2023-July 2023 to production in May 2022-July 2022, Michigan's average production was down 2.3 percent while average production increased 7.3 percent nationally.

Three-Month Average of Michigan Vehicle Production Down Slightly from Year Ago in July



Motor Vehicle Production Statistics

(Thousands, unless otherwise specified)

	2022 Monthly Average	May 2023	Jun 2023	Jul 2023	3 Month Average	Jul Level Chg fr Yr Ago	Jul % Chg fr Yr Ago
U.S. Production ^(e)							
Autos	151.1	166.4	161.6	124.8	150.9	7.5	6.4%
Trucks	699.8	789.9	757.2	597.5	714.9	55.6	10.3%
Total	850.9	956.3	918.8	722.3	865.8	63.1	9.6%
Michigan Production ^(f)							
Autos	15.0	11.7	13.4	15.3	13.5	2.3	18.0%
Trucks	165.5	171.2	169.8	132.0	157.6	2.0	1.6%
Total	180.6	182.9	183.1	147.3	171.1	4.4	3.1%
Michigan as % of U.S.	21.2%	19.1%	19.9%	20.4%	19.8%	-1.3% pts	

U.S. Economic Conditions

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	<u>Apr-23</u>	<u>May-23</u>	<u>Jun-23</u>	<u>Jul-23</u>	<u>Change from Year Ago</u>
KEY ECONOMIC INDICATORS					
Consumer Sentiment ^(h)	63.5	59.2	64.4	71.6	20.1 points
ISM Manufacturing Index ⁽ⁱ⁾	47.1	46.9	46.0	46.4	-6.3 points
ISM Non Manufacturing Index ⁽ⁱ⁾	51.9	50.3	53.9	52.7	-3.7 points

INFLATION ^(k)					<u>Change from Year Ago</u>
1982-84 = 100 (CPI)	<u>Apr-23</u>	<u>May-23</u>	<u>Jun-23</u>	<u>Jul-23</u>	
Nov 2009 = 100 (PPI)					
U.S. Consumer Price Index	303.4	304.1	305.1	305.7	3.2%
Detroit CPI	282.5	NA	285.6	NA	4.7%
U.S. Producer Price Index	141.3	140.9	141.0	141.4	0.8%

INTEREST RATES					
90 Day T-Bill ^(l)	4.92%	5.14%	5.16%	5.25%	3.02% points
10 Year Treasury Securities ^(l)	3.46%	3.57%	3.75%	3.90%	1.00% points

INDUSTRIAL PRODUCTION ^(l)	103.1	102.7	101.9	102.9	-0.2%
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CAPACITY UTILIZATION ^(l)	79.8%	79.4%	78.6%	79.3%	-1.4% points
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RETAIL SALES ^(d)	\$684.6	\$689.2	\$691.3	\$696.4	3.2%
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HOUSING STARTS and SALES					% Change From
(Millions Annual Rate)	<u>Apr-23</u>	<u>May-23</u>	<u>Jun-23</u>	<u>Jul-23</u>	<u>Year Ago</u>
Housing Starts ^(d)	1.348	1.583	1.398	1.452	5.9%
Existing Home Sales ^(m)	4.290	4.300	4.160	4.070	-16.6%

DURABLE GOODS ORDERS ^(d)	\$283.3	\$288.9	\$301.5	\$285.9	3.8%
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PERSONAL INCOME ^(c)					% Change From
(Billions, Seasonally Adj & Annualized)	<u>2022.3</u>	<u>2022.4</u>	<u>2022.4</u>	<u>2023.1</u>	<u>Year Ago</u>
Michigan	\$573.4	\$574.4	\$574.4	\$586.5	4.7%
U.S.	\$21,964.6	\$22,234.4	\$22,234.4	\$22,512.5	5.6%

GROSS DOMESTIC PRODUCT ^(c)					Annualized % Chg
(Billions of Chained 2012	<u>2022.3</u>	<u>2022.4</u>	<u>2023.1</u>	<u>2023.2</u>	<u>From Last Qtr</u>
Dollars, Seasonally Adj & Annualized)	\$20,054.7	\$20,182.5	\$20,282.8	\$20,386.5	2.1%

- (a) Seasonally adjusted. Sources: Bureau of Labor Statistics, U.S. Department of Labor and Michigan Department of Technology, Management and Budget.
- (b) Bureau of Labor Statistics, U.S. Department of Labor (BLS 790).
- (c) Bureau of Economic Analysis, U.S. Department of Commerce.
- (d) Bureau of the Census, U.S. Department of Commerce. Seasonally adjusted.
- (e) Automotive News.
- (f) Michigan Department of Treasury.
- (g) Michigan Department of Technology, Management and Budget.
- (h) University of Michigan Survey of Consumers.
- (i) Institute for Supply Management (ISM), formerly NAPM.
- (j) The Conference Board.
- (k) Bureau of Labor Statistics, U.S. Department of Labor.
- (l) Seasonally adjusted rates (except interest rates). Federal Reserve System Board of Governors. 2012 equals 100. Treasury bill rate (secondary market).
- (m) National Association of Realtors.